

The Materiality of ESG Information: Evidence from a Global Survey

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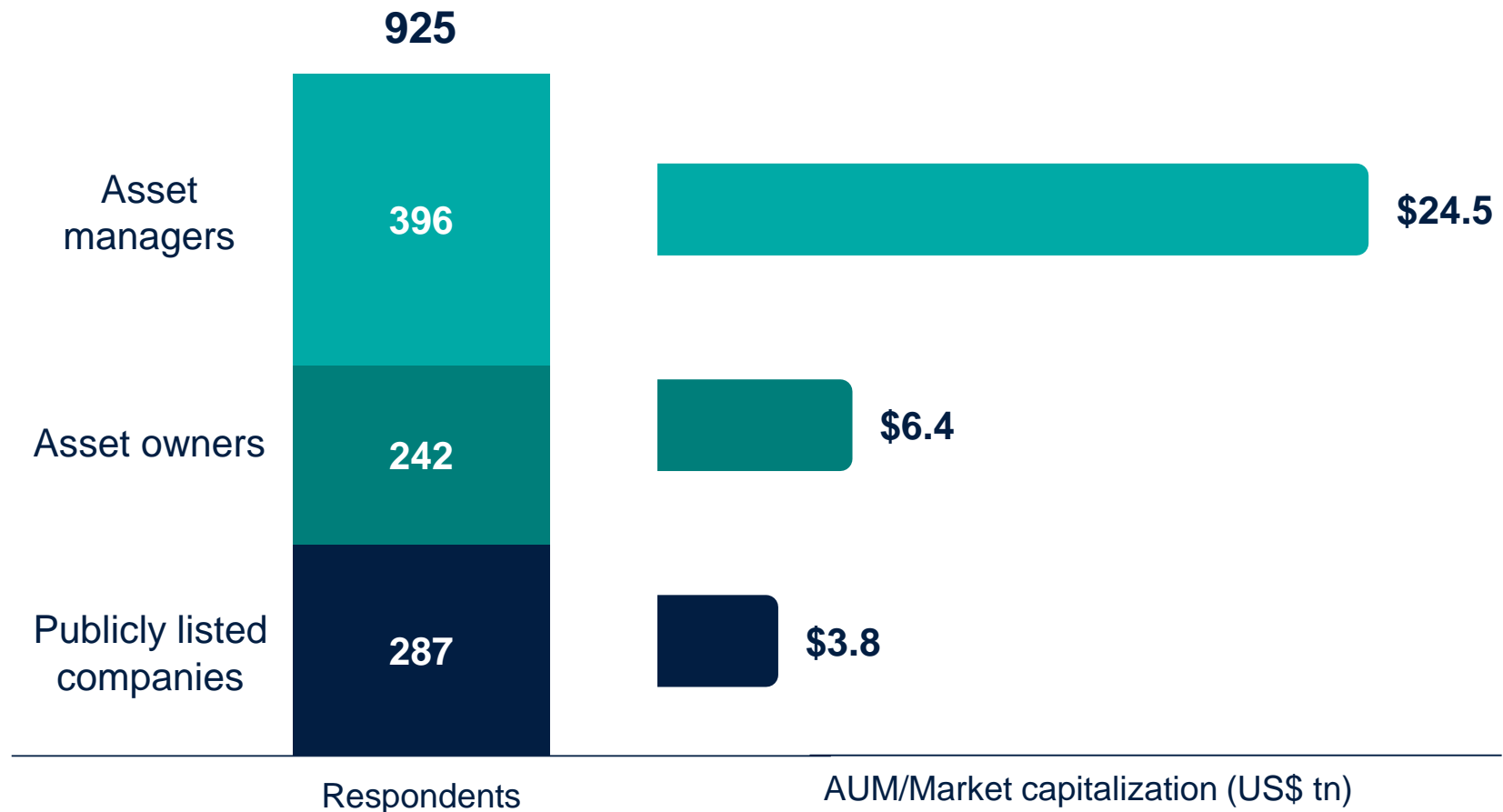
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Survey respondents

The survey captures 40% of total global assets under management.

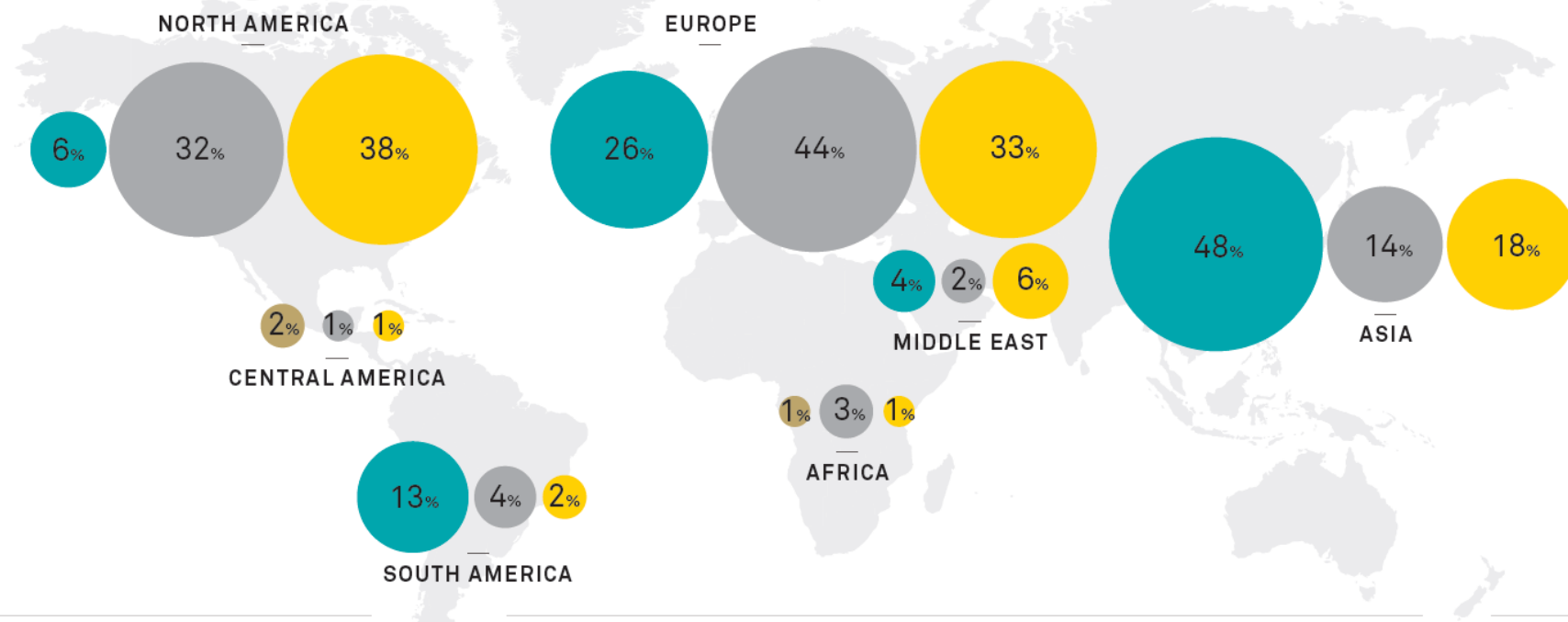


Respondents' geography

The survey represents a large sample of international issuers and investors.

Geography

ISSUERS MANAGERS OWNERS



Respondents' size & industry

Assets under management

MANAGERS

OWNERS

Less than US\$1 billion

36% 32%

US\$1 billion to US\$5 billion

16% 27%

US\$5 billion to US\$10 billion

12% 11%

US\$10 billion to US\$50 billion

10% 15%

US\$50 billion to US\$100 billion

7% 5%

More than US\$100 billion

19% 10%

Issuers' annual revenue

Less than US\$500 million

19%

US\$500 million to US\$1 billion

14%

US\$1 billion to US\$5 billion

30%

US\$5 billion to US\$10 billion

13%

US\$10 billion to US\$25 billion

12%

US\$25 billion to US\$50 billion

6%

US\$50 billion to US\$100 billion

2%

More than US\$100 billion

4%

Issuers' primary industry



Utilities

4%



Healthcare

5%



Energy

6%



Transportation

7%



Financial

22%



Basic materials

10%



Consumer & retail

16%



Industrials/
capital goods

11%



Business &
professional
services

4%

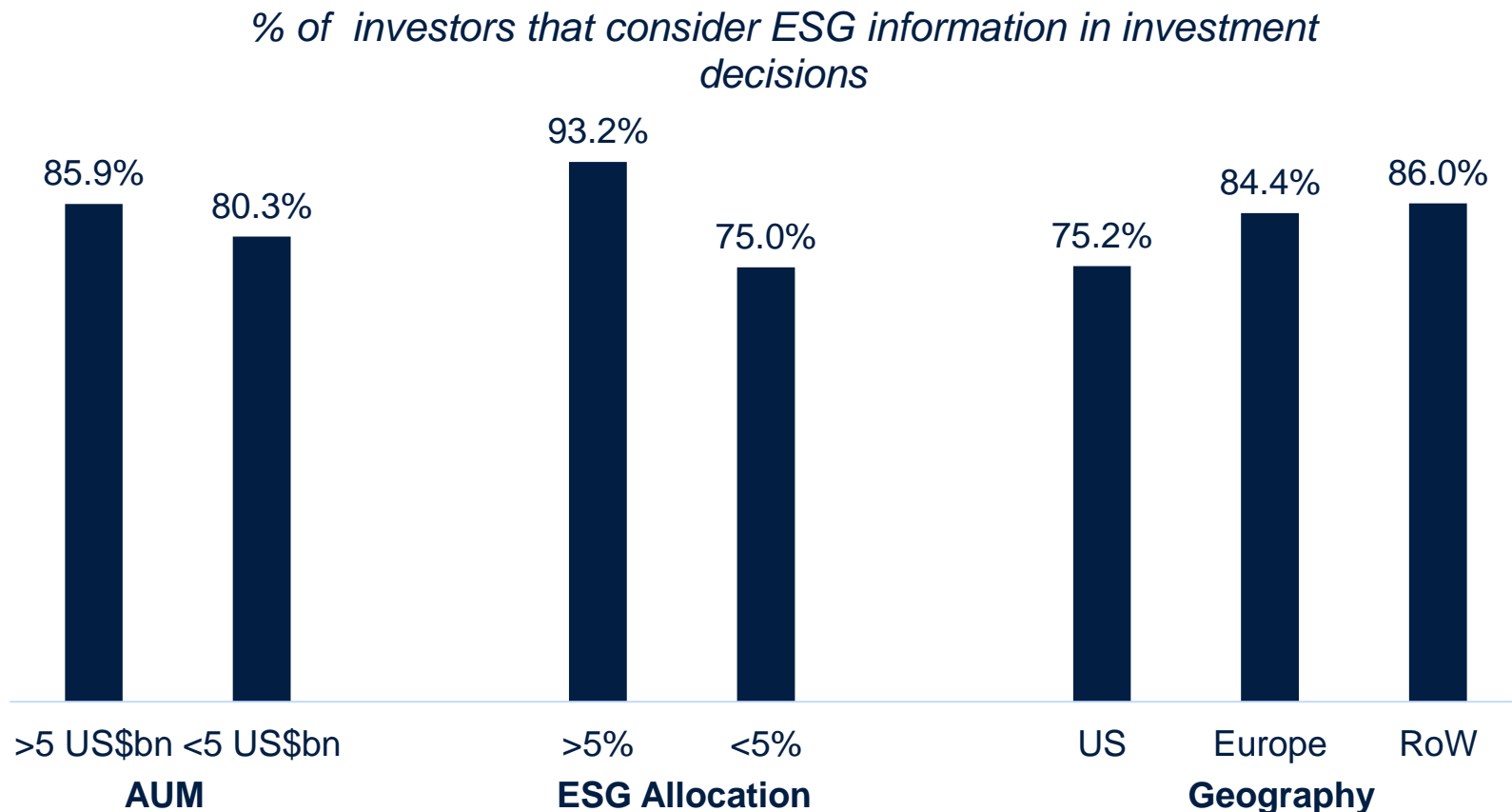


Technology,
media,
telecommunications

16%

Do investors consider ESG information when making investment decisions?

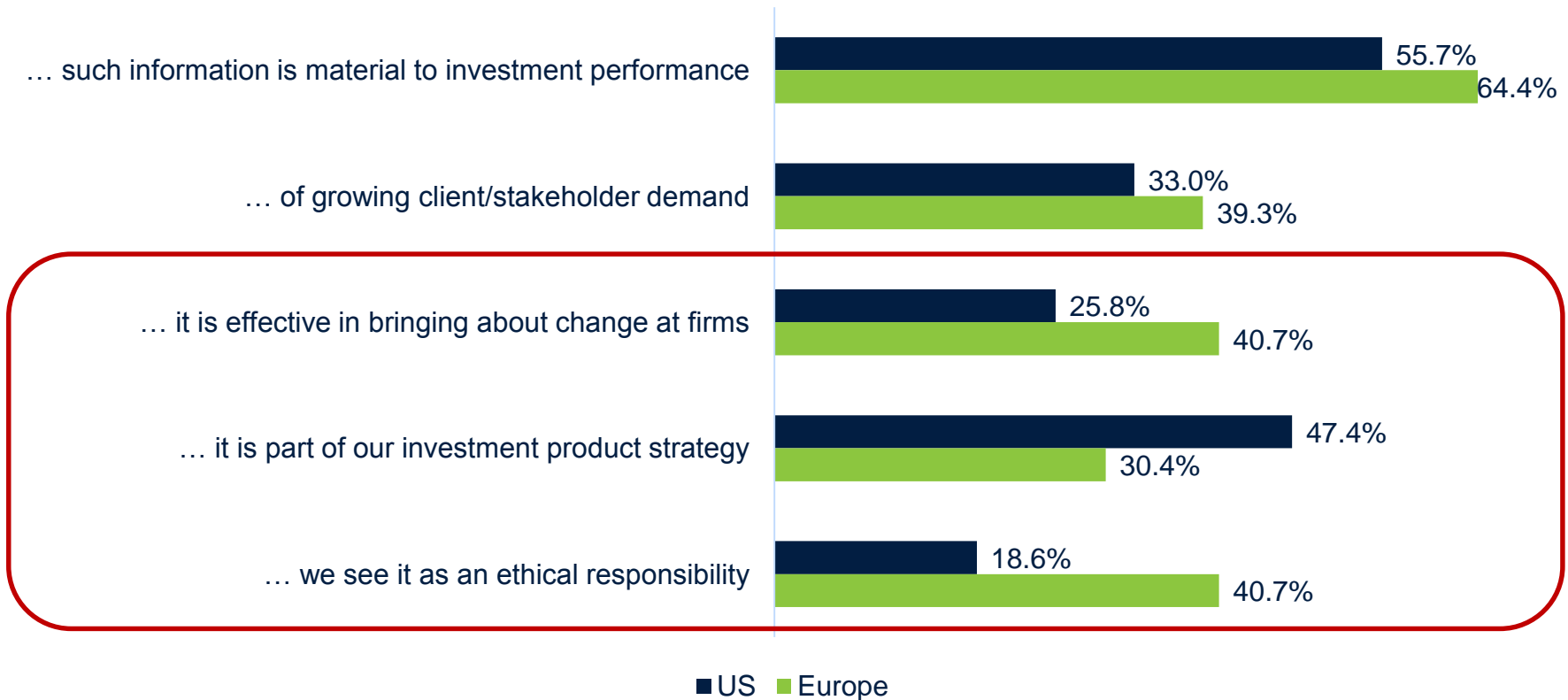
The vast majority of investors consider ESG information in investment decisions although this varies by size and geography.



Why do investors consider nonfinancial information in investment decisions?

US and European investors largely agree on financial materiality, but have different views on other motivations.

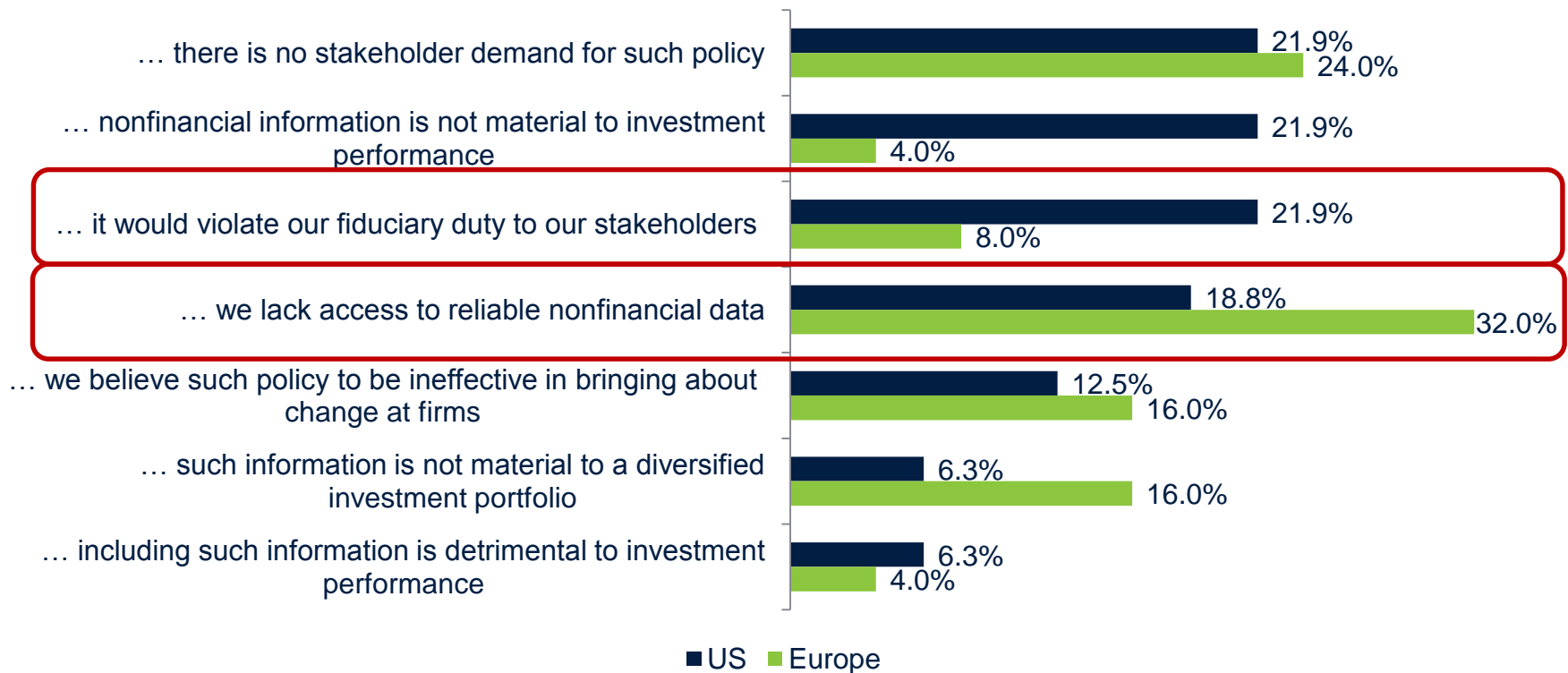
Investors consider nonfinancial information in investment decisions, because...



Why investors do not consider nonfinancial information in investment decisions

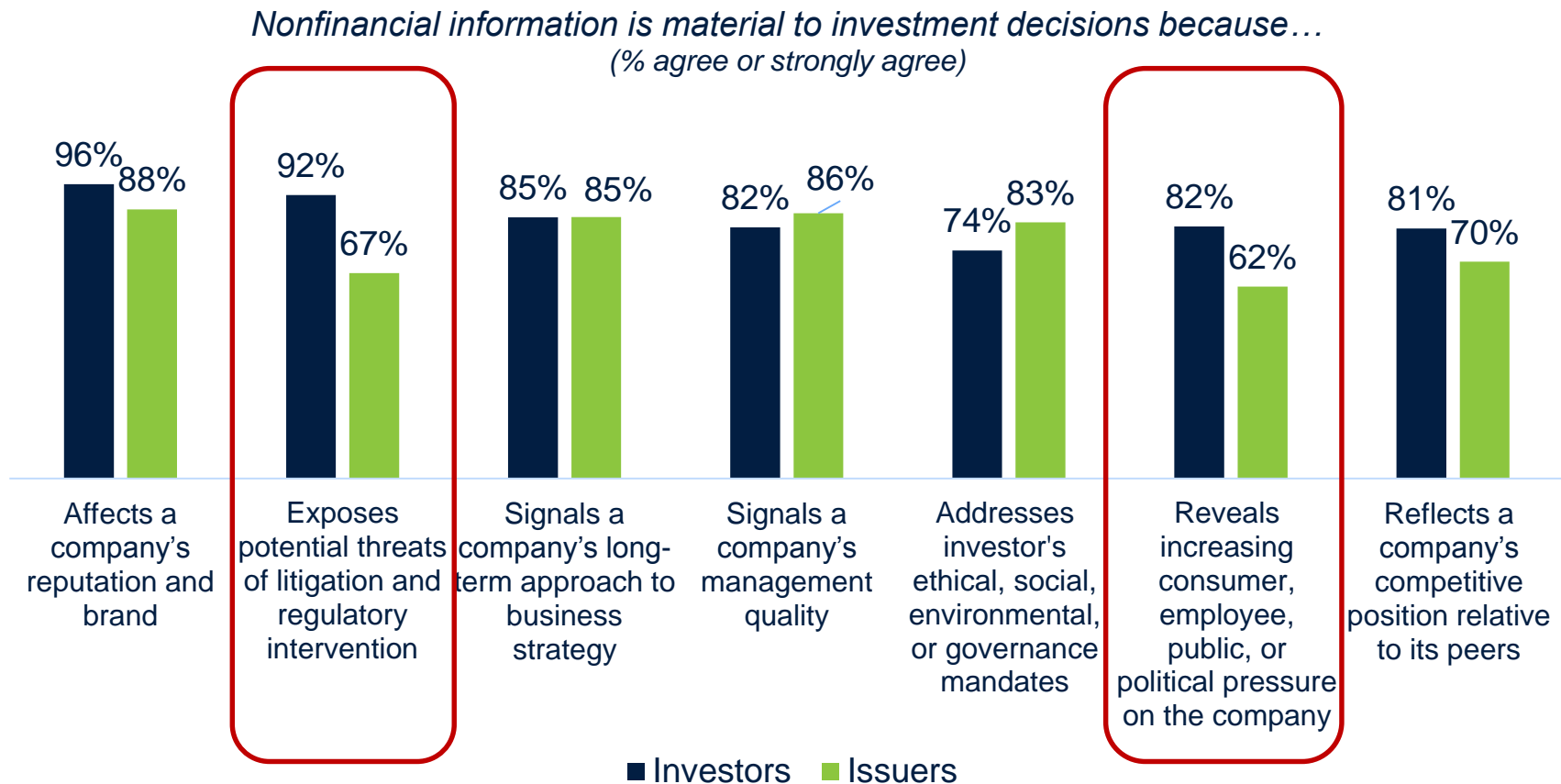
US investors are concerned about fiduciary duty, European investors about access to reliable data.

Investors do not consider nonfinancial information in investment decisions, because...



Why is nonfinancial information material to investment decisions?

Issuers underestimate investors' consideration of latent risks.



Which nonfinancial information is material for which sectors? The investor view

Governance matters for all sectors, so do employee policies. The materiality of other ESG factors varies across sectors.

ENVIRONMENTAL	BASIC MATERIALS	INDUS-TRIALS	ENERGY	UTILITIES	TRANS-PORTATION	PROF. SERVICES	CONSUMER & RETAIL	FINANCIAL SERVICES	HEALTH CARE	TECH, MEDIA & TELECOMS
The impact of climate change on the firm's markets or business operations	75%	68%	83%	73%	68%	38%	45%	43%	43%	40%
A company's energy and water consumption	75%	75%	74%	72%	64%	39%	49%	39%	46%	45%
A company's waste management practices and environmental policies	79%	78%	73%	70%	62%	40%	53%	39%	53%	47%
SOCIAL										
A company's employee policies and practices	74%	74%	74%	73%	73%	77%	77%	78%	77%	76%
The CSR/ESG policies and practices of a firm's suppliers	65%	70%	66%	64%	64%	58%	72%	60%	65%	65%
A company's human rights practices and policies	73%	69%	69%	65%	67%	67%	71%	65%	68%	68%
The impact of their products on customers (well-being, data privacy, customer service)	56%	57%	57%	59%	60%	71%	79%	75%	76%	74%
The impact of their business activities on local communities	74%	70%	71%	71%	66%	60%	64%	62%	62%	62%
GOVERNANCE										
A company's governance policies (leadership, ethics, tax policy, transparency)	79%	79%	80%	79%	79%	83%	86%	82%	82%	81%

LOW IMPACT

HIGH IMPACT

Which ESG metrics are most material to investment decisions?

Asset managers and asset owners agree that governance and leadership matters.

ASSET MANAGERS TOP 10 ISSUES

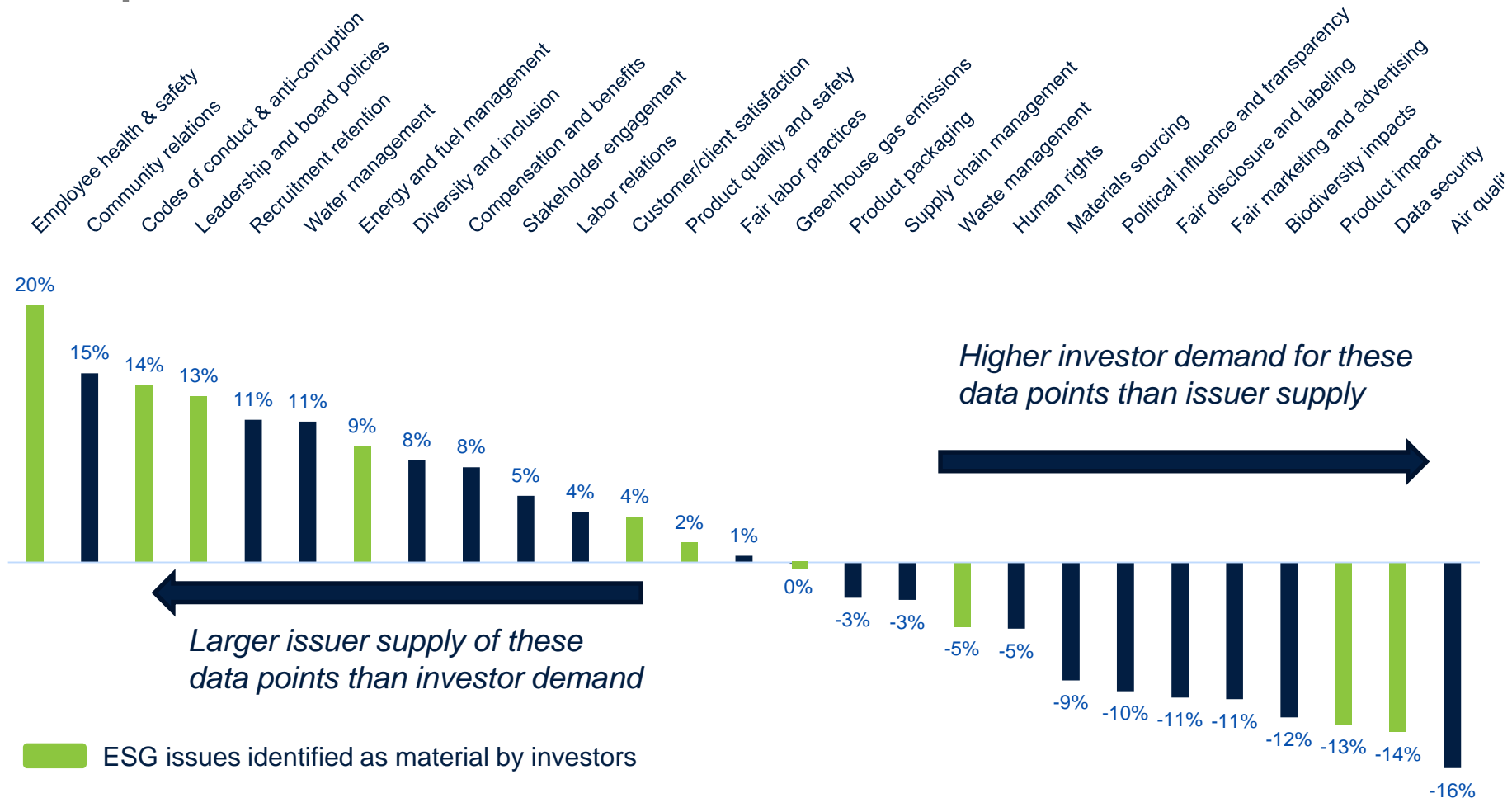
Leadership & board policies	69%
Codes of conduct, ethics & anti-corruption	68%
Energy & fuel management	61%
The long-term impact of products and services	57%
Data security & customer privacy	55%
Waste & hazardous materials management	54%
Product quality & safety	54%
Greenhouse gas emissions	53%
Employee health, safety & well-being	53%
Stakeholder engagement	52%

ASSET OWNERS TOP 10 ISSUES

Codes of conduct, ethics & anti-corruption	65%
Leadership & board policies	61%
Product quality & safety	55%
Customer/Client satisfaction	53%
Energy & fuel management	52%
Waste & hazardous materials management	52%
Employee health, safety & well-being	52%
Water & wastewater management	52%
The long-term impact of products and services	50%
Compensation & benefits	50%

Supply and demand of ESG information

A mismatch exists between the supply of and demand for specific ESG data points



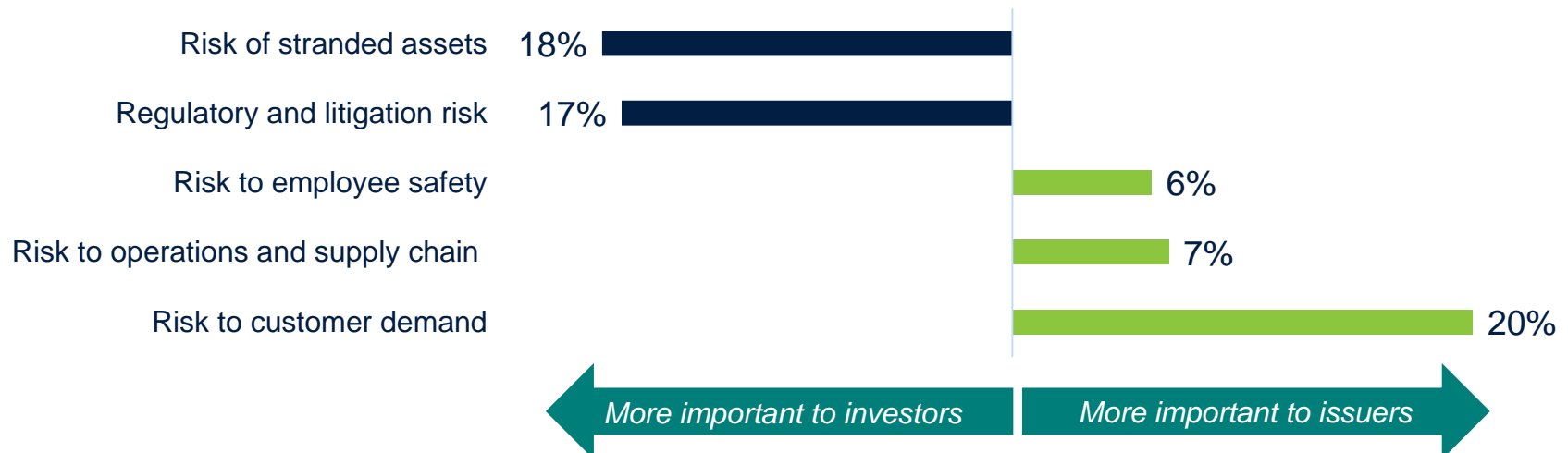
Does climate change pose a material risk to issuers?

Climate change is a real concern for investors, in particular with respect to stranded assets and regulatory risk

*Climate change poses **little** or **no** risk*

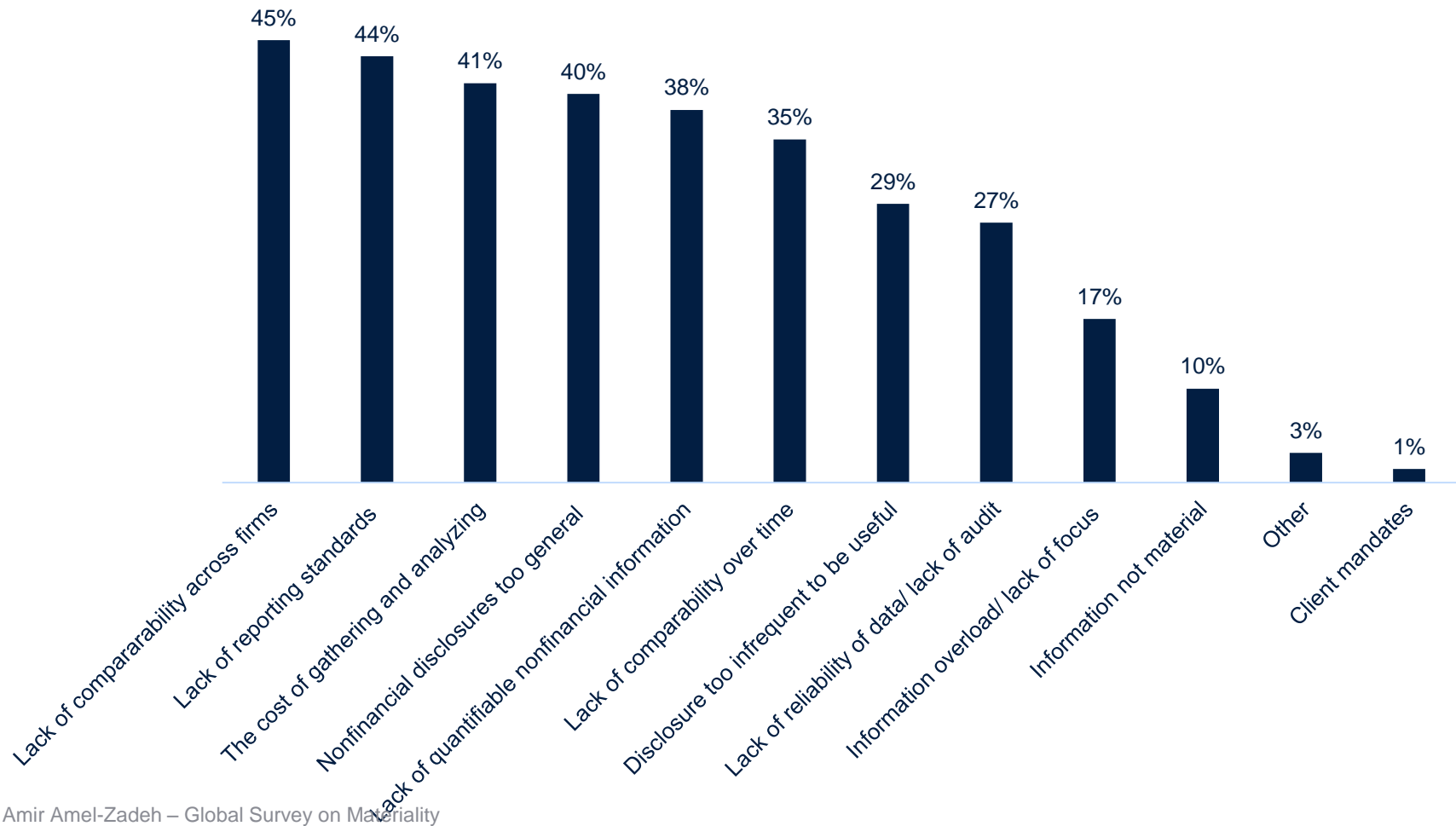


*Climate change poses the following risks
(difference in % responses issuers vs investors)*



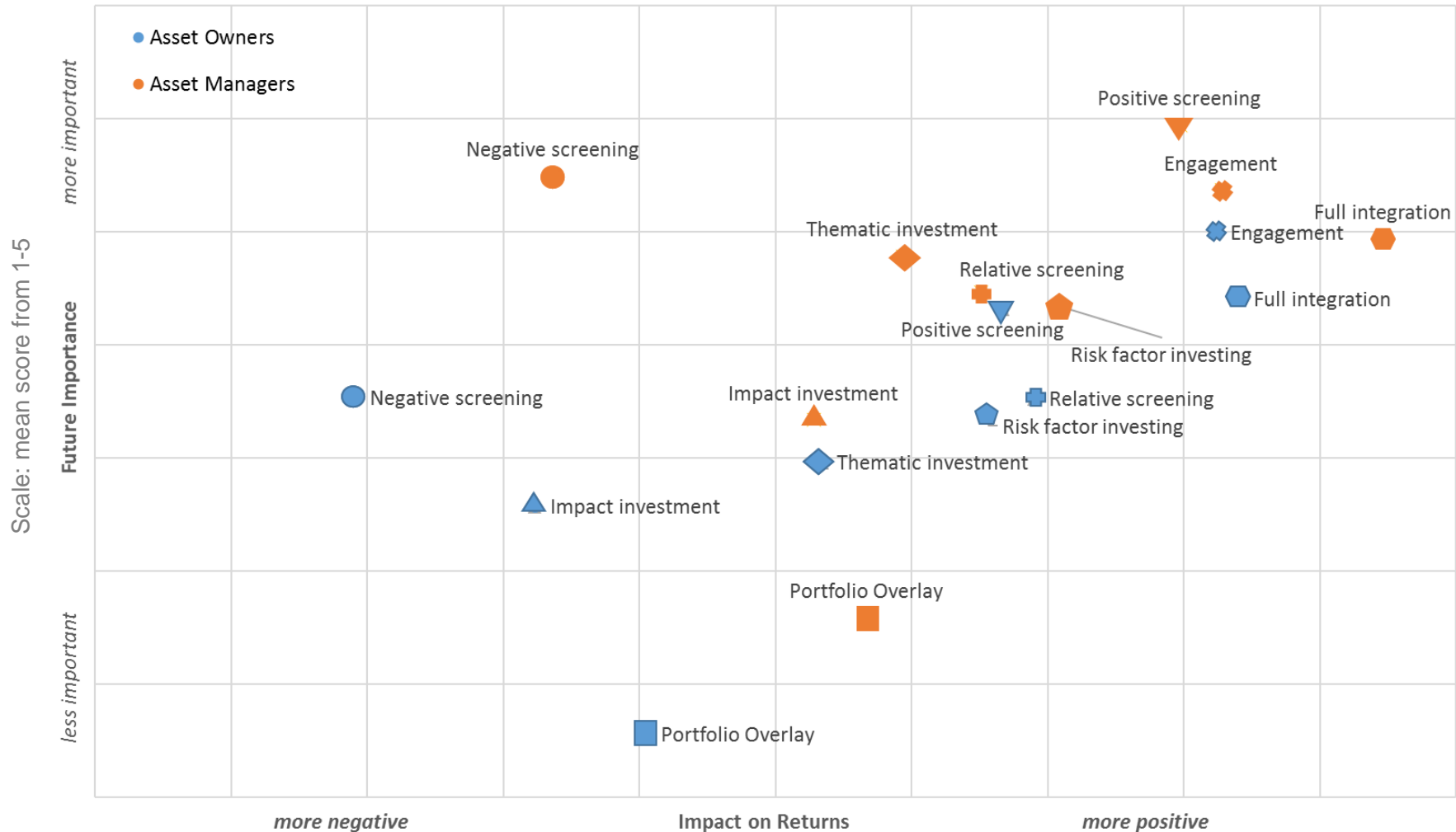
Challenges investors face when integrating ESG information

The lack of reporting comparability and standards are the biggest hurdle to ESG integration.



The ESG investing style landscape

Positive screening, engagement and integration are considered return enhancing and believed to become more important in the future.



Discussion